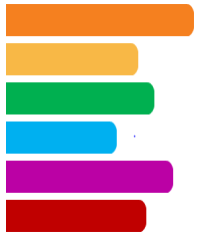




## Section 285BA

# Obligation to furnish Statement of Financial Transactions or Reportable Accounts

22<sup>nd</sup> May, 2017  
Baroda Branch of ICAI  
CA Virat A Bhavsar  
[virat.bhavsar@kcmehta.com](mailto:virat.bhavsar@kcmehta.com)



# Section 285BA

Scope of Section 285BA

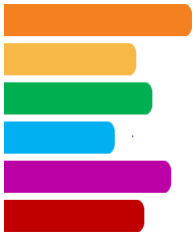
Registration and generation of ITDREIN

Specified Financial Transaction - SFT

Rules of Aggregation (Rule 114E)

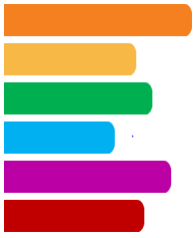
Preparation of valid SFT

Non compliance and its consequences



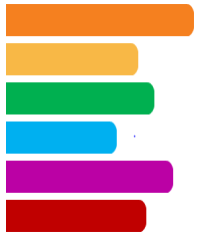
## Scope of Section 285BA

- Section 285BA of the Income Tax Act, 1961 requires a **specified reporting person** to furnish statement of financial transactions.
- Legislative Intent
- Reporting Person v Person being Reported
- **Obligation to furnish** Statement of Financial Transaction where the Reporting Person is responsible for registering, or, maintaining books of account or other document containing a record of any specified financial transaction or any reportable account.



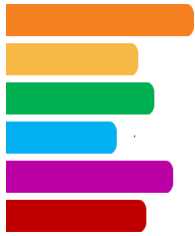
# Registration of ITDREIN

- Reporting person is required to obtain ITDREIN through proper registration process. (Income Tax website).
  - Form Specific
    - Code A
    - Code Z
  - Category Specific
- Mandatory Registration of designated director and registration – Rule 114E(6)
- Designated Director v Principal Officer
  - Page 8 of User Manual on ITDREIN Registration and Upload of Form 61 and Form 61A



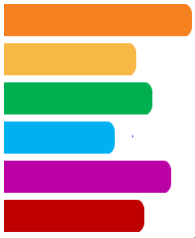
## Designated Director -Rule 114E(6)

Reporting Person	Designated Director
Company	Managing Director or Whole Time Director as defined in Companies Act 2013
Partnership Firm	Managing Partner
Proprietorship Concern	Proprietor
Trust	Managing Trustee
Unincorporated association, BOI or any other person	A person or individual who manages the affairs of reporting entity



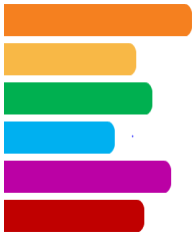
# Specified Financial Transaction (SFT)

Specified Financial Transactions	Reporting Person
Receipt on account of Issue of Bond or Debenture from any person for Rs. 10 lakh or more (Renewal of Bond or debenture is not covered)	Company (Any type whether private limited or public limited) or any Institution
Receipt of Rs.10 lakh or more from any person on issue of shares (includes share application money)	Any Company
Buy back of shares as per section 68 of Companies Act 2013 (Other than shares bought back in open market)	Listed Companies
Cash receipt in excess of Rs. 2 lakh from any person from sale of goods or provision of any services	Person who is liable to Tax Audit u/s 44AB of the Act



## Aggregation Rule - 114E(3)

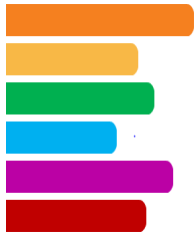
- Consider all the accounts of same nature specified in respect of that person during the reporting period;
- Aggregate all the transactions of same nature specified in respect of that person during the reporting period;
- Attribute the entire value of the transaction or the aggregate value of all the transactions to all the persons, in case where the account maintained, or transactions is recorded in the name of more than one person;
- Apply the threshold limit separately to deposits and withdrawals in respect of payment made in case for **Cash deposit or withdrawals (including through bearer's cheque) aggregating to fifty lakh rupees or more in financial year, in or from one or more current account of a person.**



# Aggregation Rules

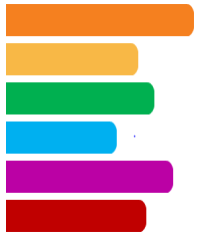
- **Exception:**
  - Purchase or sale by any person of immovable property for an amount exceeding 30 lakh (Inspector General appointed u/s 3 of Registration Act, 1908 or Registrar or sub-Registrar appointed u/s 6 of the said Act.)
  - Receipt of cash payment exceeding two lakh rupees for sale, by a person, of goods or services of any nature (any person who is liable for audit u/s 44AB)





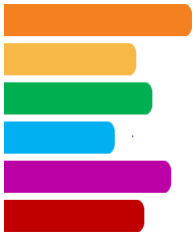
# Aggregation

- V Ltd is subjected to tax audit u/s 44AB of the Act. It received total cash of Rs.5 lakh in one go from Mr. V on different sales transactions made. Each sale transaction is of Rs.1 lakh.
  - As per Rule 114E (3) aggregation rule is not applicable. Thus, it is not specified transaction
- V Ltd. is incorporated on 14<sup>th</sup> May, 2016. Pursuance of this, it received share application moneys from its 2 promoters of Rs.5.5 lakh each.
  - Not applicable
- V Ltd. allotted shares of Rs.25 lakh to its director Mr. V in pursuance of IPR contributed.
  - Not applicable



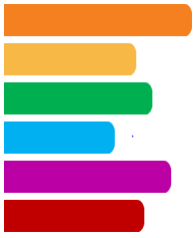
# Aggregation

- V Ltd. is a public company. During the year it made PO of Rs.250 crore. In pursuance of this it invited shares applications from public. It receives 1500 applications from HNI category for application in excess of 10 lakh. Out of this, shares were allotted to these applicants of Rs.5 lakh only. Balance sum was refunded.
  - Yes applicable.
- During the FY 2016-17, B Ltd. issued bonus shares to its shareholders.
  - Not applicable.
- M/s A is an Architect. His total receipts is Rs.15 lakh. Net profit for the year is Rs.1.5 lakh.
  - If he opts for 44ADA- 285BA is not applicable
  - 285BA is applicable



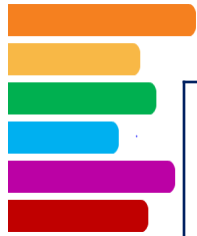
## Preparation of valid SFT

- Form 61A broadly divided into four parts namely;
  - Part A - Common to all transactions
  - Part B – Person based reporting
  - Part C – Account based reporting
  - Part D – Immovable property transactions
- Submission of Form 61A – (SFT wise compliance)
- Filing of Form 61 is prerequisite before filing form 61A. (Form 61 to be filed for each such person)- Reference number needs to be reported in the Form 61A (Part B)
- Add Row v Add Financial Transaction (Part B)



# Process

- Selecting Transaction type
- Statement details (Part A) – Reporting entity details
  - Number of Report
- Capturing Report Details by importing CSV
- Check validation
  - Correction of error
  - Generate automatic report number
- Uploading xml.



<b>Purchase of Debentures and Bonds -SFT 007</b>	<b>Purchase of Shares – SFT 008</b>	<b>Buy back of shares – SFT 009</b>	<b>Cash receipts from sale of goods/services – SFT 013</b>
PAN > 50,000	PAN > 100,000	-	PAN > 200,000
Aggregation Rule applicable	Aggregation Rule applicable	Aggregation Rule applicable	Aggregation Rule not applicable
Part A and Part B	Part A and Part B	Part A and Part B	Part A and Part B
Report Type : AF (A.2.7)	Report Type : AF (A.2.7)	Report Type : AF (A.2.7)	Report Type : AF (A.2.7)
Product Type: BD (B.3.1)	Product Type: SI (B.3.1)	Product Type: SB (B.3.1)	Product Type: ZZ (B.3.1)



## Points for consideration

- All mandatory details are required to be filled in. (Validation Process)61A-req..xlsx
- Defects:
  - Statement level defects (Part A)
  - Report level defects: (Part B,C and D)
- Form 61A –each XML file to be uploaded in zip. format
- Correction Statement
  - Suo moto correction or correction in pursuance of notice
  - Only corrected file to be transmitted



## Consequences in case of non-compliance

- Section 271FA
  - Penalty of Rs.100 per day for failure to file Form 61A
  - Penalty of Rs.500 per day in case failure subsist after notice issued u/s 285BA (5)
- Section 273B
  - “Reasonable cause”
- Is failure to furnish Form 61A or any misstatement or falsification therein would be cognizable?
  - Section 277A



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**Thank You**

Independent Member

**B K R**  
INTERNATIONAL